



**Applus+ Group Results Presentation  
Third Quarter 2015  
2 November 2015**

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Nothing in this presentation should be construed as a profit forecast.

# AGENDA

Applus<sup>+</sup>

**Fernando Basabe**  
**Chief Executive Officer**



## **HIGHLIGHTS**

FINANCIAL REVIEW

BUSINESS REVIEW

OUTLOOK 2015

ORGANISATIONAL CHANGE

Q&A

- ⊕ Resilient performance with good margin outcome
- ⊕ Oil & Gas activity continues to be challenging with the rest of the Group performing well
- ⊕ September YTD results:
  - Revenue up 7.4% to €1,288.6 million
    - +0.4% at constant currency rates
    - (1.4)% organic<sup>1</sup> ; Q3 (3.5)%
  - Adjusted operating profit<sup>2</sup> up 4.6% to €123.3 million
  - Adjusted operating profit<sup>2</sup> margin down in YTD and Q3 by 20 bps
  - Cash flow strengthened in Q3
- ⊕ Favourable judgement on Catalonia Auto contract; renewal of Illinois Auto contract; and retained all key oil & gas contracts
- ⊕ Organisational structure change to integrate RTD, Norcontrol & Velosi into a single division

(1) Organic growth at constant exchange rates

(2) Adjusted Op. Profit is stated as Operating Profit before amortisation of acquisition intangibles, IPO related costs, restructuring and impairment

**Joan Amigó**  
**Chief Financial Officer**

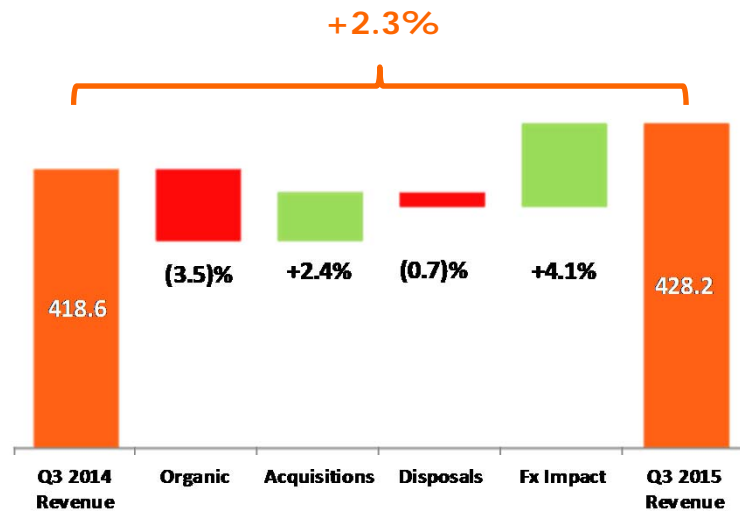


HIGHLIGHTS  
**FINANCIAL REVIEW**  
BUSINESS REVIEW  
OUTLOOK 2015  
ORGANISATIONAL CHANGE  
Q&A

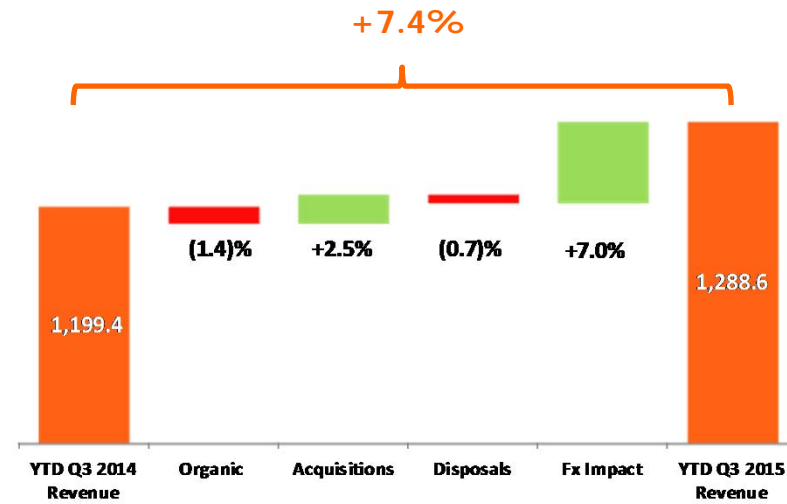
# Revenue Growth

EUR Million

### Q3 Revenue



### YTD Q3 Revenue



⊕ Acquisitions and favourable Fx offset the decline in organic revenue growth

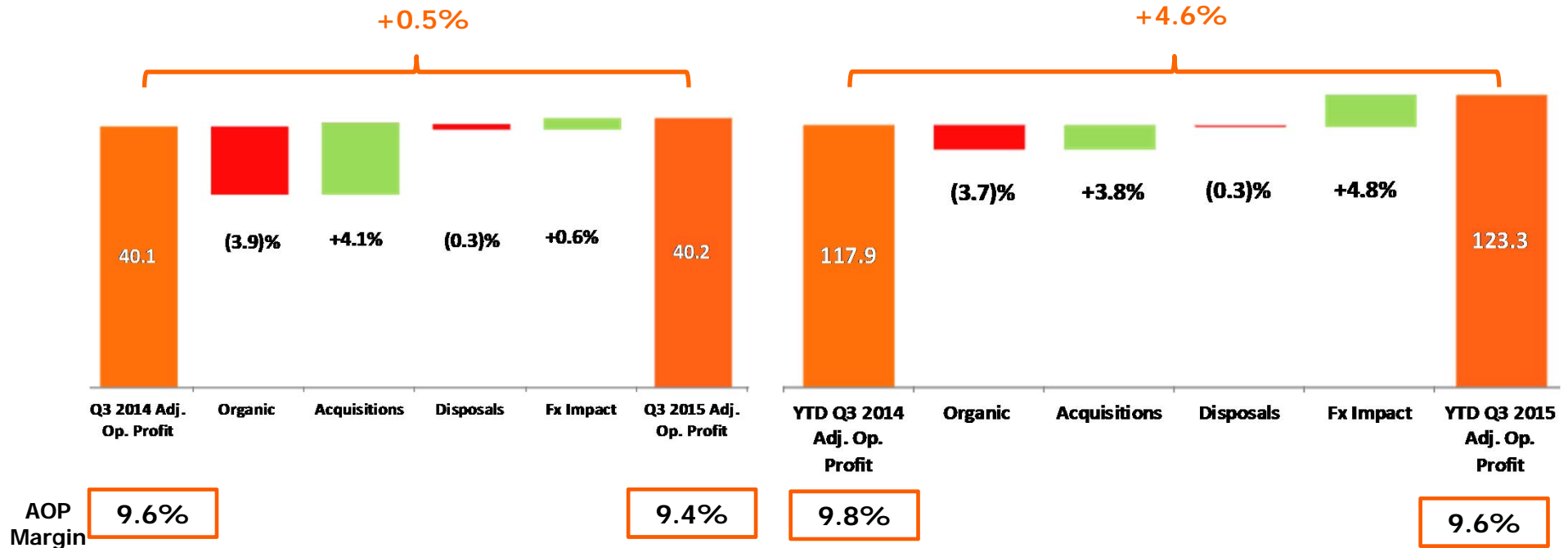
# Adjusted Operating Profit Growth



EUR Million

## Q3 Adjusted Operating Profit

## YTD Q3 Adjusted Operating Profit



+ Resilient margin performance demonstrating the ability of the Group to respond to market pressure

# YTD Q3 2015 Summary Income Statement



EUR Million

	Q3			YTD Q3		
	2015	2014	Change vs 2014	2015	2014	Change vs 2014
<b>Revenue</b>	<b>428.2</b>	<b>418.6</b>	<b>2.3%</b>	<b>1,288.6</b>	<b>1,199.4</b>	<b>7.4%</b>
<b>Adjusted Operating Profit<sup>(1)</sup></b>	<b>40.2</b>	<b>40.1</b>	<b>0.5%</b>	<b>123.3</b>	<b>117.9</b>	<b>4.6%</b>
<i>Adjusted Operating margin</i>	<i>9.4%</i>	<i>9.6%</i>	<i>-20 bps</i>	<i>9.6%</i>	<i>9.8%</i>	<i>-20 bps</i>
Other results	(14.9)	(17.3)		(46.2)	(58.1)	
<b>Operating Profit</b>	<b>25.3</b>	<b>22.8</b>	<b>11.1%</b>	<b>77.1</b>	<b>59.8</b>	<b>28.9%</b>
Net financial expenses	(7.8)	(5.4)		(18.7)	(31.1)	
Share of profit of associate	0.4	0.6		1.4	2.0	
<b>Profit Before taxes</b>	<b>17.9</b>	<b>17.9</b>	<b>0.1%</b>	<b>59.7</b>	<b>30.7</b>	<b>94.4%</b>

(1) Adj. Op. Profit stated as Operating Profit before amortisation of acquisition intangibles, IPO related costs, restructuring and impairment



# YTD Q3 2015 Other Results



EUR Million

	Q3			YTD Q3		
	2015	2014	Change vs 2014	2015	2014	Change vs 2014
<b>Adjusted Operating Profit</b>	<b>40.2</b>	<b>40.1</b>	<b>0.5%</b>	<b>123.3</b>	<b>117.9</b>	<b>4.6%</b>
<i>Amortisation of Acquisition Intangibles</i>	(11.3)	(11.2)		(34.0)	(34.0)	
<i>Impairment</i>	0.0	0.0		0.0	0.0	
<i>Historical Management Incentive Plan</i>	(3.1)	(3.6)		(9.3)	(12.9)	
<i>IPO related costs</i>	0.0	(3.6)		0.0	(11.2)	
<i>Other<sup>(1)</sup></i>	(0.5)	1.1		(3.0)	0.0	
Other results	(14.9)	(17.3)		(46.2)	(58.1)	
<b>Operating Profit</b>	<b>25.3</b>	<b>22.8</b>	<b>11.1%</b>	<b>77.1</b>	<b>59.8</b>	<b>28.9%</b>

(1) Inorganic transaction costs, severances and other minor non recurrent costs

# YTD Q3 2015 Adjusted Operating Cash Flow



EUR Million

	Q3			YTD Q3		
	2015	2014	Change vs 2014	2015	2014	Change vs 2014
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>52.5</b>	<b>52.1</b>	<b>0.8%</b>	<b>160.5</b>	<b>152.2</b>	<b>5.5%</b>
Increase in working capital	(2.3)	(5.9)		(49.9)	(32.3)	
Capex	(9.7)	(10.1)		(32.6)	(29.2)	
Taxes Paid	(6.4)	(2.8)		(19.8)	(17.1)	
<b>Adjusted Operating Cash Flow</b>	<b>34.1</b>	<b>33.3</b>	<b>2.2%</b>	<b>58.2</b>	<b>73.6</b>	<b>(20.9)%</b>
Interest Paid	(2.8)	(5.2)		(13.5)	(19.3)	
<b>Adjusted Free Cash Flow</b>	<b>31.2</b>	<b>28.1</b>	<b>11.0%</b>	<b>44.8</b>	<b>54.3</b>	<b>(17.5)%</b>
<i>Cash conversion rate (*)</i>	<i>77.1%</i>	<i>69.3%</i>		<i>48.6%</i>	<i>59.6%</i>	

⊕ Q3 Adjusted Free Cash Flow up 11.0%

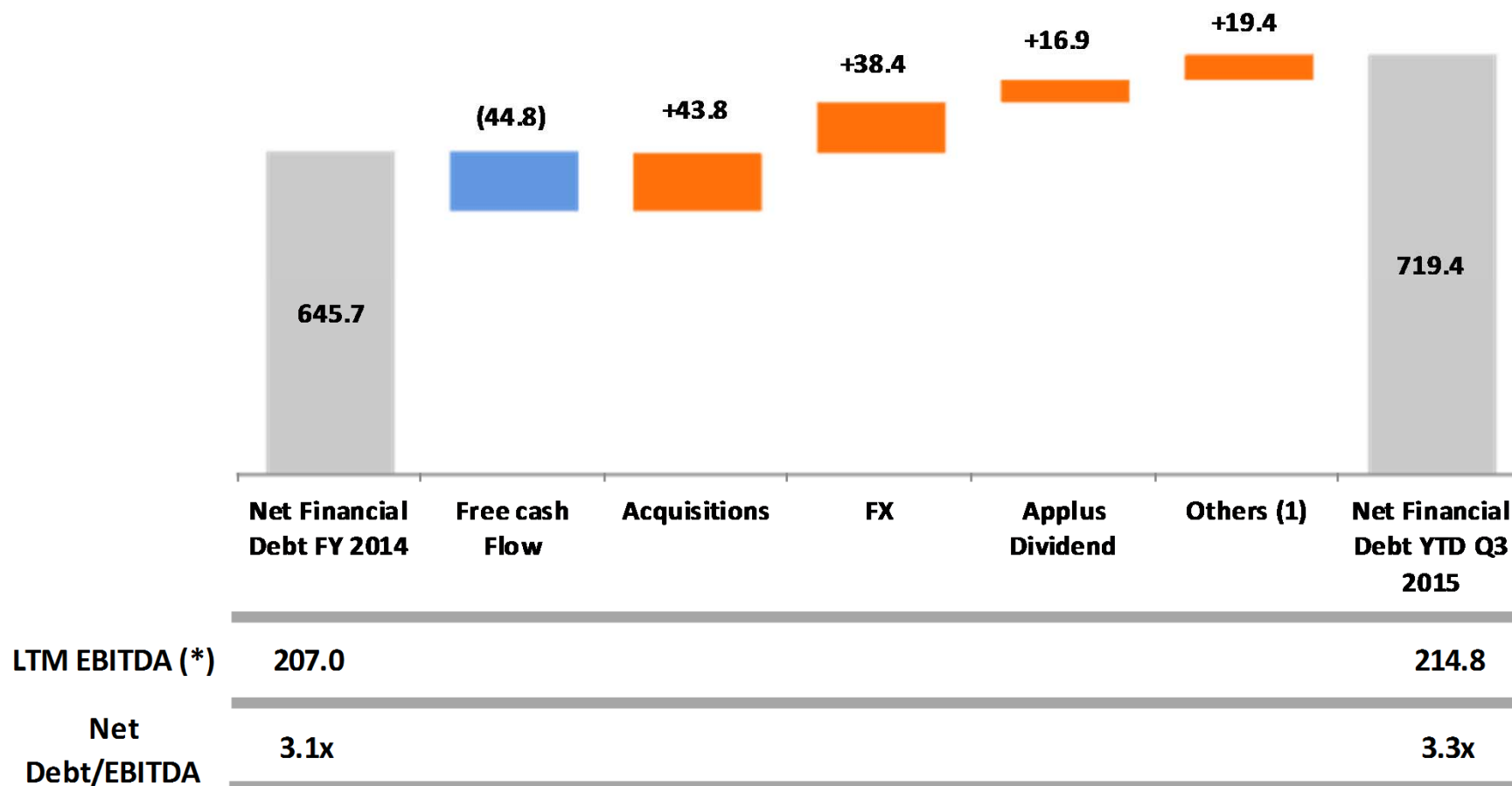
(1) Adjusted EBITDA stated as Operating Profit before depreciation, amortization and Other results excluding costs related to Management Incentive Plan of the IPO

(\*) Cash conversion rate calculated as Adjusted EBITDA minus Working capital variation minus Capex over Adjusted EBITDA

# YTD Q3 2015 Net Financial Debt



EUR Million

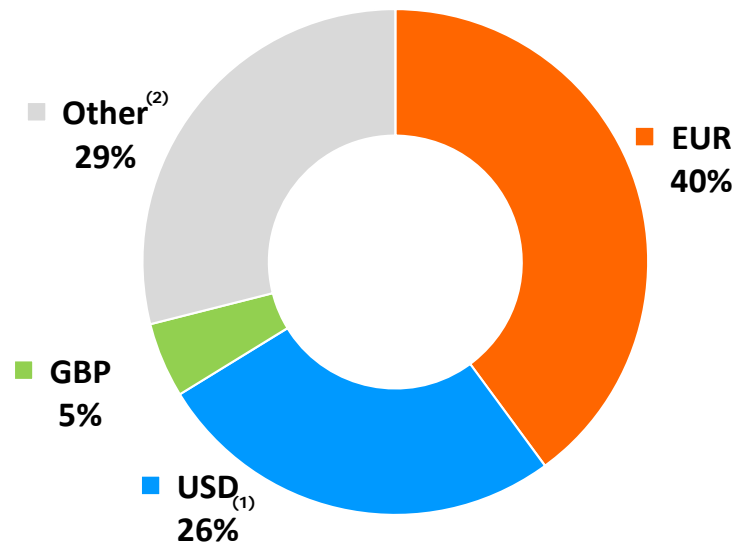


(\*) LTM EBITDA includes proforma annual results from acquisitions

(1) Includes Dividends to minorities and Historical Management Incentive Plan Payment

# YTD Q3 2015 Currency Exposure

% Revenue by Actual Currency



Average FX Exchange rates vs Euro

	Jan - Sep 2015	Jan - Sep 2014	Jan - Dec 2014
USD	1.115	1.358	1.333
GBP	0.727	0.813	0.807

- ⊕ 60% of Group Revenue is in currencies other than Euro
- ⊕ Significant deterioration in emerging market currencies in Q3 (COP, ARS, SGD, CLP, AOA, etc) as well as AUD and CAD

(1) Includes currencies pegged to the USD

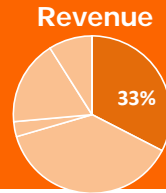
(2) None above 5%

**Fernando Basabe**  
**Chief Executive Officer**



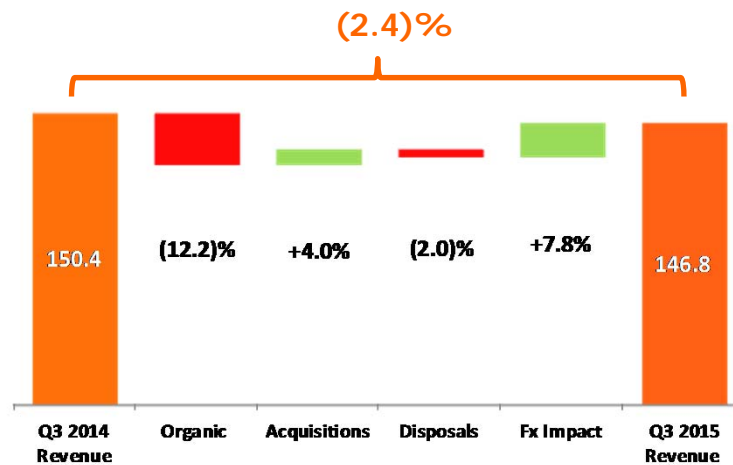
HIGHLIGHTS  
FINANCIAL REVIEW  
**BUSINESS REVIEW**  
OUTLOOK 2015  
ORGANISATIONAL CHANGE  
Q&A

# Applus+ RTD (I)

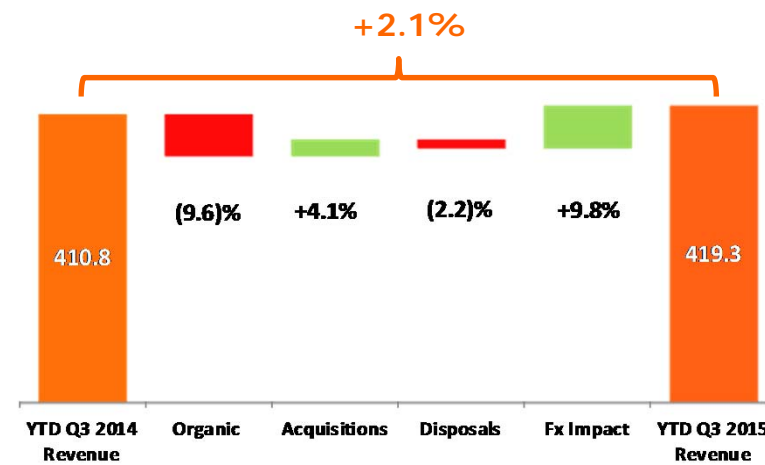


EUR Million

## Q3 Revenue

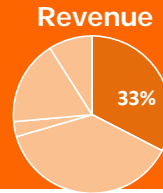


## YTD Q3 Revenue



- ⊕ YTD organic revenue @ constant rates decline of 9.6% offset by inorganic and Fx
- ⊕ Organic revenue decline is due to severe market conditions in North America that accounts for half the division by revenue. Rest of the world is performing well
- ⊕ In North America, big and medium new construction pipelines market improving but not enough to offset the rest of the NA business. Cost base continuously adjusted

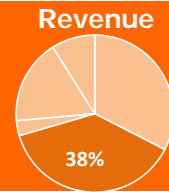
# Applus+ RTD (II)



Applus<sup>+</sup>

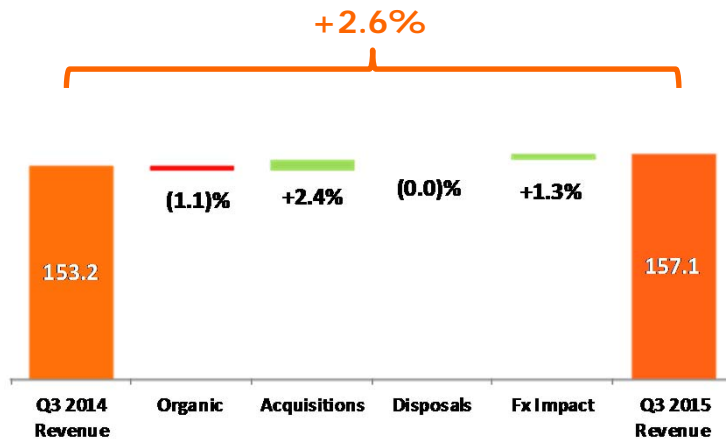
- ⊕ Europe mainly downstream opex services performing well
- ⊕ Asia Pacific had an outstanding Q3 due to some offshore Pipeline and LNG projects in South East Asia. Largest contract in the region renewed with Woodside (2+2 years)
- ⊕ Outside of Oil & Gas accounting for around 15% including Aerospace, the business is performing well
- ⊕ Shell has awarded Applus+ a two year extension of the global master service agreement for inspection services
- ⊕ Divested in Q3 NDT business in Denmark (€4m revenue). France was also divested in H1
- ⊕ Outlook remains challenging

# Applus+ Velosi & Norcontrol (I)

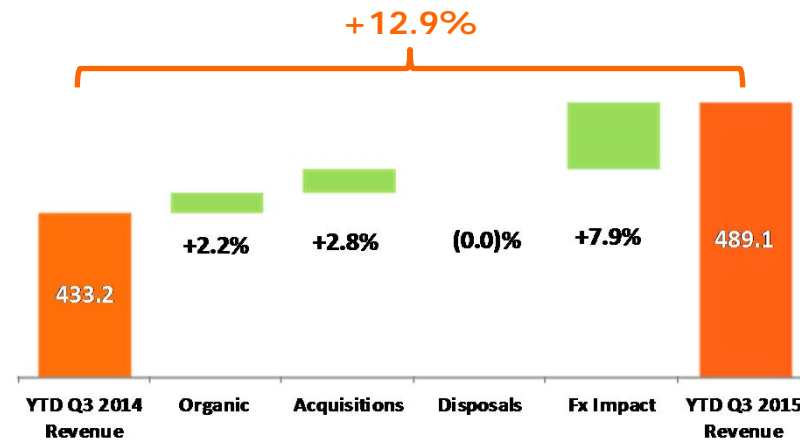


EUR Million

## Q3 Revenue



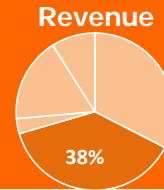
## YTD Q3 Revenue



- ⊕ Good growth YTD of 12.9%
- ⊕ Division is around half exposed to Oil & Gas which is facing tough market conditions
- ⊕ YTD Q3 Oil & Gas related business below last year and non Oil & Gas business growing strongly
- ⊕ Development of services for power generation and construction in new geographies developing well with new projects in Africa, Middle East and Americas



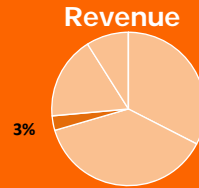
# Applus+ Velosi & Norcontrol (II)



Applus<sup>+</sup>

- ⊕ Europe and LatAm (combined 46% of the revenue) less exposed to oil & gas continue to perform strongly with good growth. Material improvement in Spain mainly in power and telecommunications markets thanks to Spanish economic recovery and market share increases
- ⊕ ME&A (30%) which was growing in H1, has faced a slow down in Q3 mainly due to a reduction of contractors in a technical staffing project in Africa and fewer shutdowns in Middle East
- ⊕ Asia-Pacific and US & Canada (24%) more exposed to Oil & Gas continue impacted by the capex reductions from customers
- ⊕ Costs have been reduced in line with the decrease in the revenue base
- ⊕ Outlook: Oil & Gas market remains challenging. The rest of the business performing well

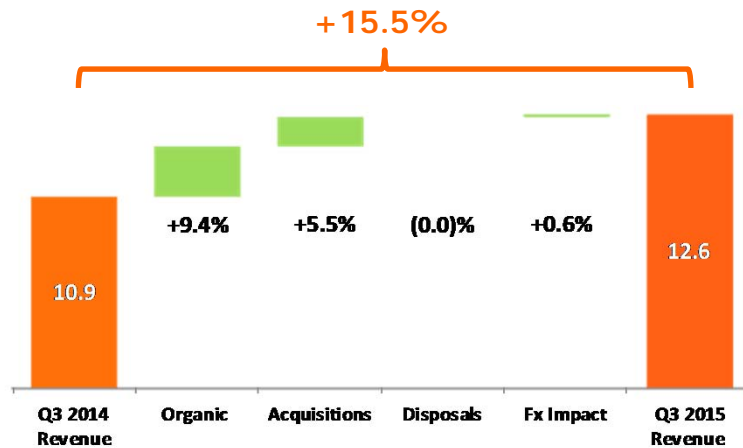
# Applus+ Labs



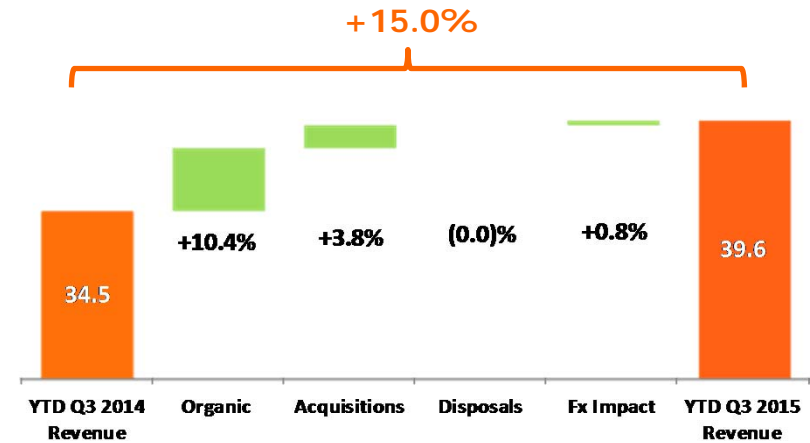
Applus<sup>+</sup>

EUR Million

## Q3 Revenue

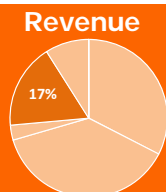


## YTD Q3 Revenue



- ⊕ Strong organic revenue growth continues
- ⊕ Building Products, Aerospace and Electronic Payment security testing, are the key growth drivers
- ⊕ Outlook: growth trend expected to continue

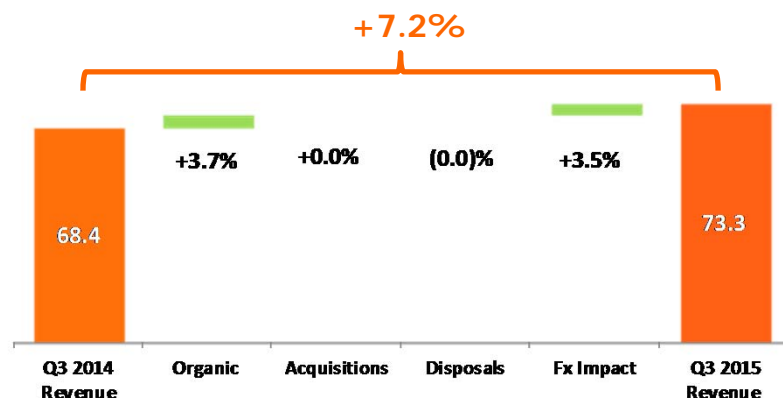
# Applus+ Auto (I)



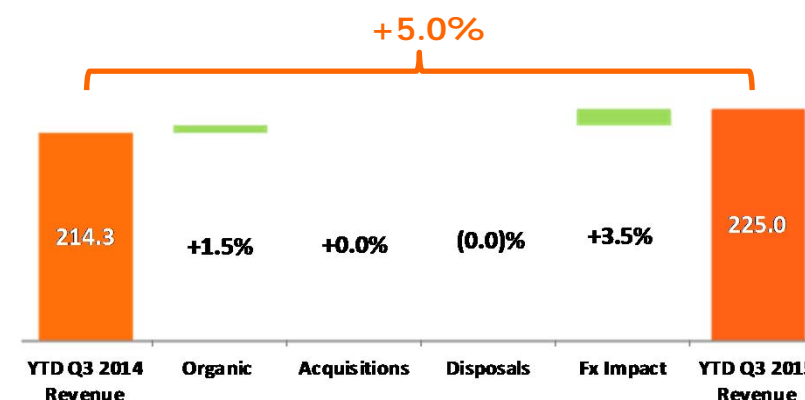
Applus+<sup>+</sup>

EUR Million

## Q3 Revenue

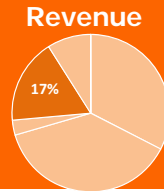


## YTD Q3 Revenue



- ⊕ Good revenue growth in Q3 after Ireland capacity constraints resolved
- ⊕ Favourable judgement from the European Court of Justice on the Catalonia contract (€50m revenue in 2014). The process continues and the Spanish Supreme court expected to give its ruling in 2016
- ⊕ Good growth from Catalonia and Madrid offset the fall in revenue from the tariff reduction in Alicante and new competition in the Canary Islands
- ⊕ No change in Finland and Denmark where market conditions remain tough

# Applus+ Auto (II)



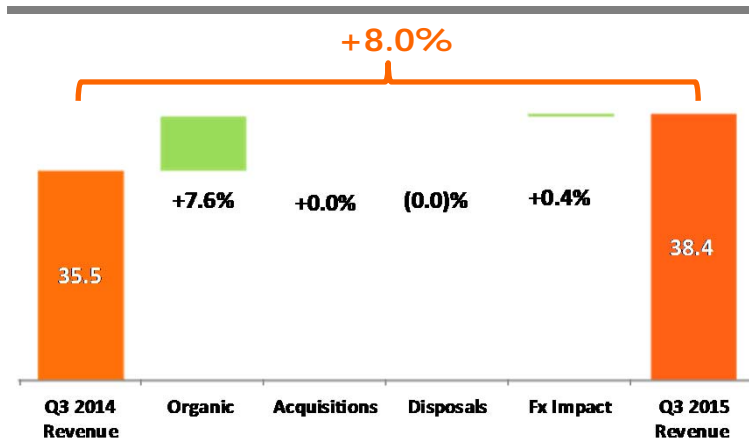
Applus<sup>+</sup>

- ⊕ The US contracts are performing well despite the end of the one-off sales of the SmogDADdy devices in California. Illinois contract renewed until 2023 and expected to commence in November 2016 under new terms
- ⊕ New stations opened in Chile in accordance with the renewed programme. The build-out for the new Argentina contract has commenced
- ⊕ Tracking greenfield opportunities in several geographies as well as bidding on competitor held renewals
- ⊕ Outlook: current trend expected to continue

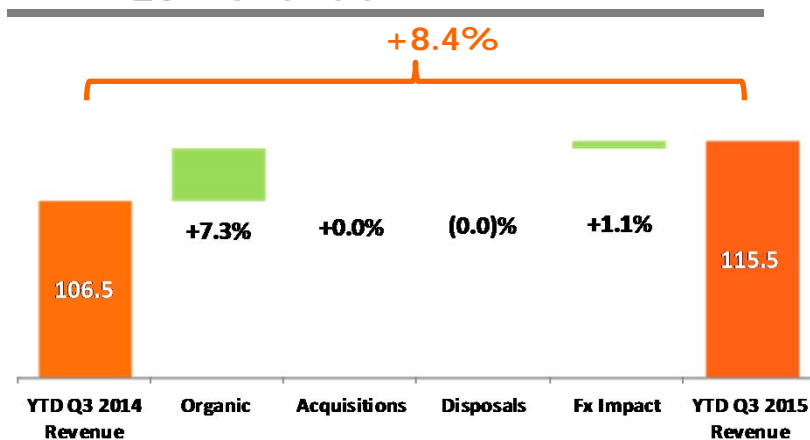


EUR Million

## Q3 Revenue



## YTD Q3 Revenue



- ⊕ Another period of strong growth by an attractive offering in favourable end markets
- ⊕ Homologation (Type approval) and Body & Passive Safety are the business lines with strongest growth
- ⊕ Too soon to evaluate the impact of the issue on emissions control systems
- ⊕ Several projects won in the field of Advance Driver Assistance System (ADAS)
- ⊕ New proving ground in China is on track to be operational in second half 2016
- ⊕ Outlook: current trend expected to continue

# AGENDA

Applus<sup>+</sup>

**Fernando Basabe**  
**Chief Executive Officer**



**HIGHLIGHTS**  
**FINANCIAL REVIEW**  
**BUSINESS REVIEW**  
**OUTLOOK 2015**  
**ORGANISATIONAL CHANGE**  
**Q&A**

Outlook for the full year:

- ⊕ Positive reported revenue growth
  - ⊕ Organic revenue at constant rates down low single digit (vs flat at H1)
  - ⊕ c. 2% growth from completed acquisitions less disposals
  - ⊕ Currency benefit
- ⊕ Adjusted Operating Profit margin to remain resilient
- ⊕ Robust cash flow generation

**Fernando Basabe**  
**Chief Executive Officer**



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## **Applus+ Energy & Industry**

A timely, logical and required evolution ...

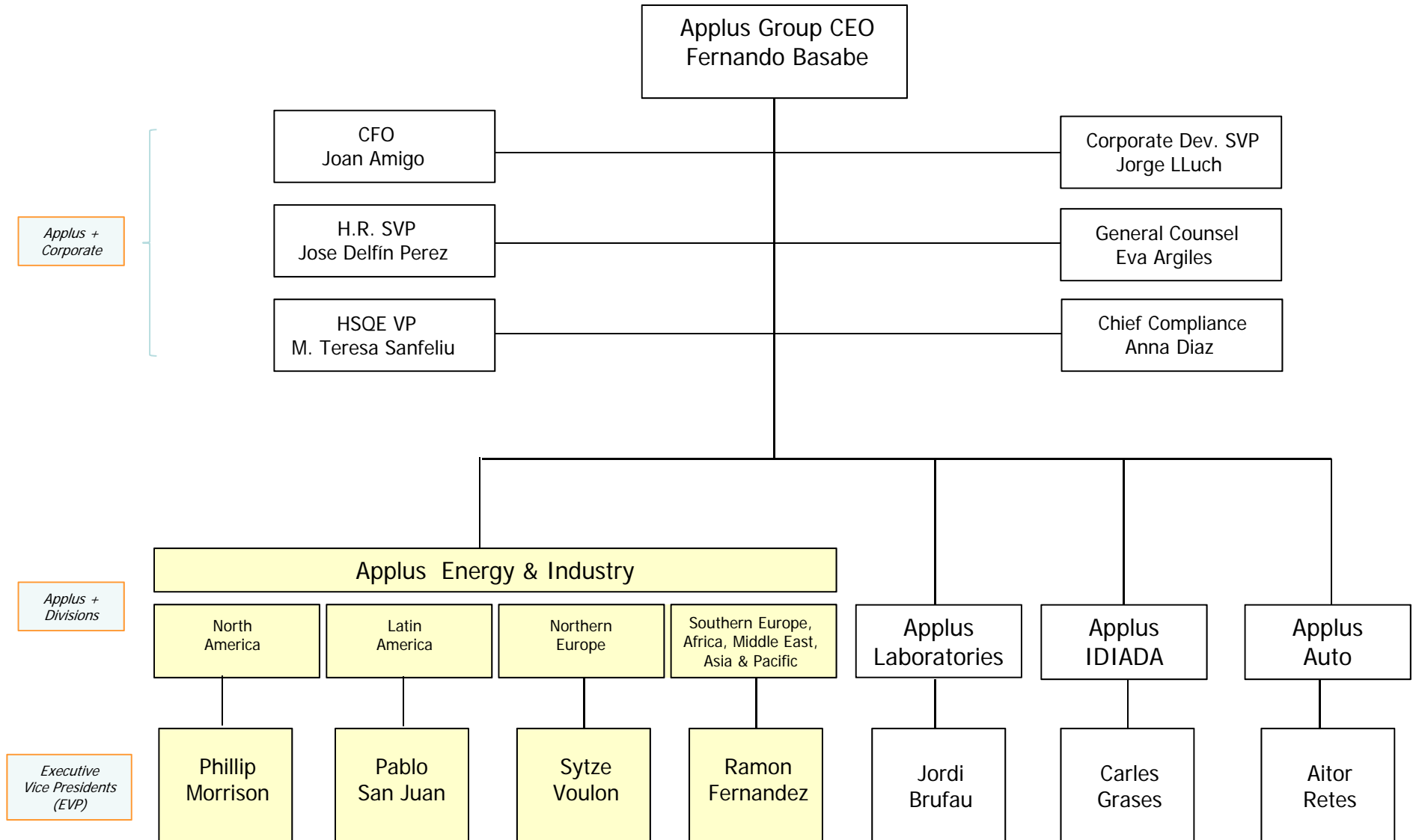
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- ⊕ Applus+ RTD and Applus+ Velosi-Norcontrol will be integrated into one division called **Applus+ Energy & Industry** and organised into 4 geographical regions:
  - ⊕ North America
  - ⊕ Latin America
  - ⊕ Northern Europe
  - ⊕ Southern Europe, Africa, Middle East, Asia & Pacific
  
- ⊕ Each regional head will report to Group CEO
  
- ⊕ Iain Light, Executive Vice President Applus+ RTD, will retire on 31 December 2015. The new structure will be effective from 1 January 2016

- ⊕ Applus RTD and Applus Velosi-Norcontrol are operating in similar end-markets, O&G and Power Generation, servicing quite often the same customers and with similar portfolio of services
- ⊕ The divisions were acquisitions (Norcontrol in 2004, RTD in 2006 and Velosi in 2011) and have strong brands, different cultures and a different geographical origin and presence
- ⊕ The new organisation will produce immediate savings that will help to defend Applus+ margins in the current O&G environment. The progressive standardisation of IT Systems in the next 2 to 3 years will allow further efficiencies
- ⊕ The divisions operating as one in the regions and end-markets will allow to maximize the growth opportunities of all the range of services within all the geographies, while simplifying how we operate

# APPLUS+ ORGANISATIONAL CHART

(As of Jan 1, 2016)



# AGENDA

Applus<sup>+</sup>



HIGHLIGHTS  
FINANCIAL REVIEW  
BUSINESS REVIEW  
OUTLOOK 2015  
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Third Quarter 2015  
2 November 2015**

# YTD Q3 2015 Results reconciliation



EUR Million	YTD Q3 2015			YTD Q3 2014			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
<b>Revenue</b>	<b>1,288.6</b>	<b>-</b>	<b>1,288.6</b>	<b>1,199.4</b>	<b>-</b>	<b>1,199.4</b>	<b>7.4%</b>
<b>Ebitda</b>	<b>160.5</b>	<b>(9.3)</b>	<b>151.2</b>	<b>152.2</b>	<b>(12.9)</b>	<b>139.2</b>	<b>5.5%</b>
<b>Operating Profit</b>	<b>123.3</b>	<b>(46.2)</b>	<b>77.1</b>	<b>117.9</b>	<b>(58.1)</b>	<b>59.8</b>	<b>4.6%</b>
Net financial expenses	(18.7)	0.0	(18.7)	(27.1)	(4.0)	(31.1)	
Share of profit of associates	1.4	0.0	1.4	2.0	0.0	2.0	
<b>Profit Before Taxes</b>	<b>106.0</b>	<b>(46.2)</b>	<b>59.7</b>	<b>92.7</b>	<b>(62.1)</b>	<b>30.7</b>	<b>14.3%</b>

# YTD Q3 2015 Net Financial Expenses



EUR Million

	Q3			YTD Q3		
	2015	2014	Change vs 2014	2015	2014	Change vs 2014
Interest on Pre-IPO Debt Facility	0.0	(0.0)		0.0	(15.4)	
Interest on Post-IPO Debt Facility	(3.7)	(4.8)		(13.2)	(7.4)	
Arrangement Fees	(0.5)	(0.4)		(1.4)	(6.5) <sup>(1)</sup>	
Foreign exchange	(2.9)	0.2		(1.9)	(1.4)	
Financial derivatives for hedging	0.0	0.0		0.0	1.1	
Other	(0.7)	(0.4)		(2.3)	(1.5)	
<b>Financial Expenses</b>	<b>(7.8)</b>	<b>(5.5)</b>	<b>(42.4)%</b>	<b>(18.7)</b>	<b>(31.1)</b>	<b>39.9%</b>

(1) Includes €4.0m of arrangement fees from the Pre-IPO facilities written-off



# YTD Q3 2015 Adjustments to Statutory Cash Flow



EUR Million

	YTD Q3 2015	YTD Q3 2014	Change vs 2014
<b>Adjusted EBITDA</b>	<b>160.5</b>	<b>152.2</b>	<b>5.5%</b>
(Increase)/Decrease in working capital	(49.9)	(32.3)	
Capex	(32.6)	(29.2)	
Taxes Paid	(19.8)	(17.1)	
<b>Adjusted Operating Cash Flow</b>	<b>58.2</b>	<b>73.6</b>	<b>(20.9)%</b>
Interest Paid	(13.5)	(19.3)	
<b>Adjusted Free Cash Flow</b>	<b>44.8</b>	<b>54.3</b>	<b>(17.5)%</b>
Add back capex	32.6	29.2	
IPO related costs	(9.3)	(23.1)	
Non recurrent costs (severances & others)	(2.9)	(3.2)	
Others	0.0	(1.0)	
<b>Statutory Operating Cash Flow</b>	<b>78.6</b>	<b>75.5</b>	<b>4.2%</b>

# YTD Q3 2015 Statutory Cash Flow



EUR Million

	YTD Q3 2015 Actual	YTD Q3 2014 Actual	Change vs 2014
<b>Profit Before taxes</b>	<b>59.7</b>	<b>30.7</b>	
Non cash items	88.6	94.2	
(Increase)/Decrease in working capital	(49.9)	(32.3)	
Taxes Paid	(19.8)	(17.1)	
<b>Operating Cash Flow</b>	<b>78.6</b>	<b>75.5</b>	<b>4.2%</b>
Capex	(32.6)	(29.2)	
<i>% of revenue</i>	-2.5%	-2.4%	
Acquisitions/Disposals of subsidiaries	(45.0)	6.1	
<b>Cash Flow from Investing activities</b>	<b>(77.6)</b>	<b>(23.2)</b>	
Dividend paid to non controlling interests	(4.4)	(2.4)	
Applus+ Dividend	(16.9)	0.0	
Interest paid	(13.5)	(19.3)	
Changes in financing	9.8	(382.7)	
Capital increase	0.0	292.0	
<b>Cash Flow from Financing activities</b>	<b>(24.9)</b>	<b>(112.4)</b>	
Currency translations	(5.1)	(3.7)	
<b>Cash Increase/ (Decrease)</b>	<b>(29.0)</b>	<b>(63.7)</b>	
<b>Cash Beginning Period</b>	<b>149.7</b>	<b>180.9</b>	
<b>Cash End Period</b>	<b>120.7</b>	<b>117.2</b>	



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